

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

***United States Attorney
Carol C. Lam***

For Further Information, Contact: Assistant U.S. Attorney Timothy F. Salel, 619-557-6074

For Immediate Release

NEWS RELEASE SUMMARY - August 25, 2006

United States Attorney Carol C. Lam announced that United States District Judge M. James Lorenz today sentenced James F. Garro in federal court in San Diego to serve 135 months in federal custody based on Garro's conviction on charges arising from his operation of a fraudulent investment scheme. In April 2005, a federal jury trial found Garro guilty of twenty counts of fraud, money laundering, and tax evasion. Judge Lorenz also ordered that Garro serve a 3-year term of supervised release following his release from prison and pay restitution in the amount of \$6,484,607.

According to Assistant U.S. Attorneys Sanjay Bhandari and Timothy Salel, who prosecuted the case, the evidence at trial established that Garro raised \$37.5 million from several investors by falsely promising them 100% profit within 15 calendar days from the trading of bank debentures in an allegedly secret, exclusive market in which only those with a humanitarian purpose for their proceeds could participate. After obtaining control of investor funds, Garro never traded bank debentures as promised and instead spent the money in various unauthorized ways, including spending more than \$8 million on luxury homes for himself in California and New Mexico.

United States Attorney Lam said, "Schemes that promise incredible returns, such as 'prime bank' schemes, should be taken for what they are – too good to be true."

FBI Special Agent in Charge Daniel R. Dzwilewski commented, "This case should serve as a reminder that individuals suggesting that investors will receive such high rates of return may not be operating within the confines of the law. The public must exercise extreme caution before investing with any individual or organization who makes such promises."

"Today's sentencing is a reminder to individuals that those who intentionally conceal income and evade taxes will be prosecuted. IRS Special Agents, through their expertise in working criminal tax and financial investigations, will maintain public confidence in our tax system," said Kenneth J. Hines, Special Agent in Charge, Internal Revenue Service, Criminal Investigation

This case is a result of a joint investigation by the Federal Bureau of Investigation and the Internal Revenue Service – Criminal Investigation Division.

DEFENDANT

Case Number: 02CR2429-L

James F. Garro

SUMMARY OF CHARGES AND MAXIMUM PENALTIES

Counts 1-8: Wire Fraud – Title 18, United States Code, Section 1343
5 years' imprisonment; \$250,000 fine

Counts 9-19: Money Laundering - Title 18, United States Code, Sections 1956(a)(1)(A)(i)
and 1956(a)(1)(B)(i)
20 years' imprisonment; fine of twice the value of funds involved

Count 20: Tax Evasion – Title 26, United States Code, Section 7201
5 years' imprisonment; \$250,000 fine

INVESTIGATING AGENCIES

Federal Bureau of Investigation
Internal Revenue Service – Criminal Investigation Division